

CENTRAL INTELLIGENCE AGENCY
WASHINGTON D. C.

Mr. Roger W. Jones
Assistant Director for Legislative Reference
Bureau of the Budget
Washington 25, D. C.

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sent - Copy
for info only
See my memo
of 4 Jan 56
JWZ*

Dear Mr. Jones:

In accordance with your request, there is attached our reply to Senator Olin D. Johnston's request for comments on S. 2875, A Bill to Revise the Civil Service Retirement Act.

Norman S. Paul
Legislative Counsel

Attachment



CENTRAL INTELLIGENCE AGENCY

WASHINGTON 25

OFFICE OF THE DIRECTOR

Honorable Olin D. Johnston
United States Senate
Washington 25, D. C.

Dear Senator Johnston:

In accordance with your request, the Agency has reviewed and comments as follows on S. 2875, with specific reference to the draft bill of the Civil Service Commission which would also revise the Retirement Act, as amended.

When this Agency reviewed the Commission's bill, which generally incorporates the Kaplan Committee proposals, we took a position favoring the proposal since it would substantially liberalize existing provisions of the Retirement Act. Prior to arriving at this conclusion, however, we evaluated the proposed bill in order to determine (1) its security implications; (2) whether or not the bill contains a provision for accelerated retirement, comparable to or having a bearing on the Agency's views on desirable retirement legislation authorizing accelerated retirement; and (3) the degree to which the Commission's draft covers the problem of retirement benefits for alien personnel. Our analysis of the draft bill sponsored by the Civil Service Commission disclosed that the combination of Social Security and Civil Service retirement would create a severe security problem inasmuch as existing procedures in the administration of Social Security would entail the external disclosure of the names of all employees subject to Social Security. Moreover, the Commission bill is silent on the issue of accelerated retirement, and in recognition of this fact the Agency continues to advocate consideration of a special request for legislation which would grant such authority to the Agency. In addition, the Commission's proposed bill does not contain a provision for retirement coverage of aliens, although the proposed Foreign Employees Personnel Act would authorize participation by Federal agencies in the Social Security plan of foreign governments.

Mindful of the previous position taken by the Agency on the Commission's draft bill, S. 2875 has been reviewed with the same four factors in mind, namely, accelerated retirement, increased benefits, retirement coverage of aliens and security considerations. Our specific comments on each of these points are as follows:

- (1) S. 2875, as the Commission's draft bill, does not contain perhaps any accelerated retirement feature which is comparable to the Agency's view presented to the Bureau of the Budget. Unlike the Commission's draft, however, S. 2875 does contain certain features which facilitate retirement at an earlier age, which is a principal objective of the

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Agency's request for accelerated retirement. Under existing law, an individual cannot retire on an immediate annuity until he has 30 years of creditable service and is 55 years of age, unless he is involuntarily separated after having acquired 25 years of service. S. 2875 would modify these requirements by permitting retirement at any age after an individual obtains 30 years of service and by authorizing immediate retirement of an individual who is involuntarily separated at age 50 with 20 years of service. The proposal for immediate retirement at any age with 30 years of service is compatible with the concept inherent in the Agency's specific legislative desires for accelerated retirement, namely, Agency employees should be permitted to retire at an earlier age than is possible under the current Retirement Act, due to the nature of their employment. S. 2875 requires, however, a diminution in an employee's annuity for each month he is under age 60 at the time of separation for retirement, although a smaller reduction would be effected than is currently required by law. The "reduction in annuity" factor in S. 2875 is not comparable to the Agency's proposal for accelerated retirement which would also provide for additional service credit for overseas service in order to allow an earlier retirement without reduction in annuity. Accordingly, it is considered preferable to support our request for accelerated retirement, previously submitted to the Bureau of the Budget, in lieu of the "earlier retirement" provisions of S. 2875. In the event the specific legislation to be requested by CIA does not receive favorable Congressional action, the Agency would endorse S. 2875 as a measure reflecting its basic objectives for accelerated retirement.

(2) The subject bill would significantly liberalize existing retirement benefits relative to those currently authorized by law. In addition to the aforementioned provisions applicable to retirement at an earlier age, there are various other features which would materially benefit Agency personnel. The following are considered noteworthy:

(a) The provisions for reemployment of annuitants would be liberalized. S. 2875 would permit the reemployment of retirees by Federal agencies for any period determined by the appointing officer.

(b) The formula for computing annuity benefits would be liberalized and a minimum disability annuity would also be guaranteed.

(c) The factors for reduction in annuity of an employee retiring under age 60 would be changed from $\frac{1}{6}$ of 1% for each full month the employee is under age 60 to a scale of reductions which would be appreciably less, e.g., an employee retiring at age 55 would be subject to a reduction of 6.2%, rather than 15% as currently required. The proposed reduction would decrease

the problem which the Agency seeks to eliminate in its request for accelerated retirement, i.e., retirement at an earlier age without reduction in annuity.

(d) Existing survivor benefits would be augmented, and the present eligibility for such benefits would be expanded considerably by S. 2875. Under the proposed bill, the widow or widower of any retired employee would receive 50% of the retiree's annuity up to \$4,000, and it would begin upon the employee's death. This may be contrasted to the current situation, namely, that a retired employee must elect a reduced annuity in order to provide a benefit for the surviving spouse. The only exception to this existing rule is a provision which permits a widow to receive a benefit until age 50 if a child under age 18 also survives and the retiree was receiving a disability annuity or he retired on an immediate annuity after separation with at least 15 years of creditable service. In addition, retirees could elect under S. 2875 a survivor benefit for a widow or widower equal to 50% of all annuity in excess of \$4,000 by taking a reduction of 10% in all annuity exceeding \$4,000. The proposal would also provide for an immediate annuity to a widow or dependent widower if an employee dies in the Federal service after 5 years of creditable service, regardless of the age of the spouse at the time of the employee's death. Currently, such a benefit may not be extended to widowers of deceased employees, and the widow's benefit cannot be paid until age 50 unless a dependent child also survives the employee. Lastly, the formula for computing children benefits would be liberalized and would permit, for the first time, such payments when a dependent widower survives the employee or annuitant.

(e) There would be a potential increase in the coverage of Federal personnel under the Retirement Act, i.e., contract employees and aliens.

(3) S. 2875 contains certain liberalizing provisions which are similar to or are variations of sections in the Civil Service Commission's proposed bill. It also contains several features which appear to be more liberal than the Commission's proposed bill, e.g., provision of a deferred annuity with 5 years' service rather than 10 years; and retirement at an earlier age. This Agency therefore supports both measures insofar as they seek to further the retirement benefits available to Federal employees and their survivors.

(4) S. 2875 would appear to meet in part the objective of this Agency to provide some retirement coverage for alien personnel. As in the case of the Commission's draft bill, S. 2875 would authorize the Commission to exclude from the Retirement Act employees whose tenure is

temporary or intermittent. In contrast to the Commission's proposed bill, however, no employee would be excluded from retirement coverage by the terms of S. 2875, after he acquired six months' continuous service. It should also be noted that this provision would have the same effect on employees hired by contract instead of through regular appointment. S. 2875 would not apply, though, to independent contractors.

(5) Enactment of S. 2875 in lieu of the Commission's draft bill would avert the security problems posed for this Agency by the latter bill, which contemplates the general coverage of Federal employees by Social Security. Although the Agency has relatively few individuals currently subject to Social Security, the general coverage of Agency employees under this program would involve extensive reporting on most of its personnel. Since S. 2875 does not contemplate the combination of the Social Security and Civil Service retirement programs, it would not precipitate the security difficulties inherent in the Commission's draft bill. Moreover, the provision for coverage of temporary or intermittent personnel who serve continuously for a period of six months would have the effect of extending Civil Service retirement to certain Agency employees hired by contract who are currently subject to Social Security.

Sincerely,

Allen W. Dulles
Director

cc: Bureau of the Budget